

**MICHIGAN DEPARTMENT
OF
TRANSPORTATION**

**LOCAL PUBLIC TRANSIT
REVENUE AND EXPENSE MANUAL**

**with Nonfinancial Operating Data
Definitions**

**PASSENGER TRANSPORTATION DIVISION
MULTI MODAL TRANSPORTATION SERVICES BUREAU**

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Acronyms/Definitions

Act 51	Act 51 of the Public Acts of 1951, MCL 247.651 et seq.
CTF	Comprehensive Transportation Fund
DR	Demand-Response (acronym used on PTMS)
FSL	Federal Contract with State Match and/or Local Match
FTA	Federal Transit Administration
LH	Line-Haul (acronym used on PTMS)
OAR	Operating Assistance Report submitted on PTMS
PTD	Passenger Transportation Division
PTMS	Public Transportation Management System
TtW	Transportation to Work Activities
Contract	means any legally binding agreement between parties regardless of the terminology used at the different governmental levels (e.g. federal grant, state master agreement and project authorizations, local contract).

Purpose of Manual & Reporting Requirements

This Manual should be used to report State Operating Assistance revenues and expenses on an Operating Assistance Report submitted on PTMS (OAR). Budget, quarterly, and annual reconciled OARs are required to be submitted through PTMS. Budgets are due on February 1st of each year. Annual reconciled OARs are due 40 days after the end of the state's fiscal year and must be based on that year (e.g. October 1st through September 30th). Quarterly OARs are due 40 days after the end of each quarter.

Please note: Although this Manual is written to report State Operating Assistance revenues and expenses, other programs requiring separate OARs also use this Manual. Such programs include:

- Federal Transit Administration (FTA) Section 3037
- Comprehensive Transportation Fund (CTF) Regional Transportation
- Transportation to Work Activities (TtW)

The CTF Specialized Services Program has its own manual called the “Specialized Services Reporting Requirements” (effective 10/1/04) and can be found at our website <http://www.michigan.gov/mdotptd>. In the “Resources” box, click on “Audit/Accounting Information.”

Basic Guidelines

State Operating Assistance expenses are eligible for reimbursement if they are:

- ☛ incurred for public transportation purposes;
- ☛ reasonable and necessary for proper and efficient operations;
- ☛ categorized according to this Manual;
- ☛ supported by adequate source documentation;
- ☛ accorded consistent treatment;
- ☛ net of all applicable credits;
- ☛ NOT funded or to be funded under another CTF program or FTA program (except Federal Section 5307 Operating and 5311 Operating);
- ☛ otherwise provided for in this Manual, in accordance with generally accepted accounting principles and, if required, included in a Passenger Transportation Division (PTD) approved cost allocation plan; and
- ☛ based on the accrual accounting method.

When this Manual is silent, OMB Circular A-87 applies. **If there is any question as to whether or not an expense is eligible for State Operating Assistance, contact your PTD Project Manager to obtain a written response from PTD.**

Generally, if 100% of an activity benefits general public transportation, 100% of the expenses associated with that activity may be considered eligible operating expenses. However, if the benefits of that activity are also shared or paid for by a program or entity which targets a specific population, then the expenses may require an approved cost allocation plan. **If you are not sure whether or not you need a PTD approved cost allocation plan, please contact your PTD Project Manager.**

REVENUE

Revenue is defined as all income generated as a result of providing public transportation service. Please note that:

- Retained earnings used to cover an operating deficit is not revenue in that year. Retained earnings is money earned and reported in prior years and should not be reported again when used.
- Reimbursements, credits, and refunds are not revenues.

Applicable credits refer to those receipts or reduction of expenditure-type transactions that offset or reduce expenses eligible for FTA/MDOT funding. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges.

Items such as 50401 fuel and lubricant tax refunds and 50603 insurance premium refunds are contra expenses and should be deducted against the *current year's* appropriate expense code.

- Monies received in the current year for prior year's expenses (e.g. the final Section 5311 payment) are not revenue in the current year and should not be reported on the current year's OAR.

Farebox Revenue

40100 Passenger Fares. Fees charged for passenger trips: (1) all monies put in the farebox, (2) the cash equivalent of bus passes and transfers, (3) revenue earned from "Park and Ride" lots, and (4) School Tripper Service which is open to the general public.

40200 Contract Fares. Contractual fees paid by an organization (rather than by the passenger). This service must be available to the general public ("open door").

40400 Package Delivery/"Meals on Wheels." Package delivery must be incidental to providing public transportation services. Revenues equal to expenses associated with package delivery are not eligible and should be backed out under 55008 Other Ineligible Expenses. However, expenses incurred delivering Meals on Wheels are eligible for reimbursement. Meal delivery cannot conflict with transit services or result in a reduction of service to transit passengers.

Charter Revenue

40500 Charter Service means contracting at a fixed charge for exclusive use under an itinerary specified in advance or modified while underway, using buses or vans (which includes trolley buses), or facilities funded with FTA/CTF funds. A transit agency can only provide *incidental* charter service within its statutorily defined political subdivisions if there are no willing and able private charter operators licensed to provide the service.

Incidental charter service is defined as service that does not (1) interfere with or detract from the provision of the public transportation service for which the equipment or facilities were funded under the FTA Act and Act 51; or (2) does not shorten the public transportation life of the equipment or facilities. For example: Shorten the life of the vehicles, means that if 1,000 miles of incidental charter is performed, 1,000 miles must be added to the end of the useful life of the vehicle. Documentation must show that mileage and/or hours are recorded.

To ensure that there is no willing and able private charter operator, the transit agency must:

- Place a notice in a newspaper(s) of general circulation within the proposed geographic charter service area at least 60 days before the charter service is provided.
- Send a copy of the notice to all private charter service operators in the proposed geographic charter service area and to any private charter service operator that requested notice.
- Send a copy of the notice to the United Motorcoach Association, 113 South West Street, 4th Floor Alexandria, VA 22314-2824, and the American Bus Association, 1100 New York Avenue, NW, Suite 1050, Washington, DC 20005-3934.

The notice must:

- State the transit agency's name.
- Describe the proposed charter service, including the days, times, geographic area, and categories of revenue vehicles, but not the capacity or the duration of the charter service.
- Inform the private charter operators that they have at least 30 days from the date of the notice to establish that they are willing and able.
- Include the address where the written proof was sent.
- State that the written proof must include:
 - (i) A statement that the private operator wants and is capable of providing the categories of revenue vehicle specified; and
 - (ii) A copy of the documents to show that the private charter operator has the

requisite legal authority to provide the proposed charter service and that it meets all necessary safety certification, licensing and other legal requirements to provide the proposed charter service.

- State that the transit agency shall:
 - (i) review the proof submitted by the deadline,
 - (ii) complete its review within 30 days of the deadline, and
 - (iii) inform each private operator that submitted proof what the results of the review are within 60 days of the deadline.
- State that the transit agency shall not provide any charter service that uses equipment or facilities funded under the Acts to the extent that there is at least one willing and able private charter operator unless the transit agency qualifies for one or more of the exceptions in 49 CFR 604.9(b).

If the transit agency continues to provide charter service with MDOT/FTA funded equipment or facilities, the transit agency must repeat these requirements annually during the month in which its first newspaper notice was published to redetermine whether or not there was at least one willing and able private charter operator.

If incidental charter is provided, there must be a PTD approved cost allocation plan. Expenses associated with charter service are not eligible and should be backed out under 55015 Ineligible Charter Expense.

Note: If incidental charter service is provided, then 630 Charter Service Hours and 631 Charter Service Miles must be reported on the nonfinancial portion of the OAR.

Auxiliary Transportation Revenue

Auxiliary Transportation Revenue is income earned from operations closely associated with providing public transportation service.

40610 Concessions revenues are earned from operating or granting rights to concessionaires to operate newsstands, candy counters, vending machines, etc. on transit agency property. If the transit agency rents space to a third party concessionaire, a PTD approved cost allocation plan may be necessary. Expenses associated with concessions are not eligible and should be backed out under 55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue.

40615 Advertising revenue is earned from displaying advertising materials on transit agency vehicles and property. Expenses associated with equipping vehicles with advertising signs or maintaining the signs, including labor, are not eligible and should be backed out under 56002 Ineligible Expenses Associated with Advertising Revenue. The

PTMS comment field must explain how the expenses associated with this revenue are determined (e.g. verbal or written agreement with a third party, did the work themselves).

40620 Intercity Ticket Sales revenue is earned from the sale of intercity bus tickets (e.g. Greyhound, Indian Trails). If the transit agency employee has joint job responsibilities between intercity and public transportation, the employee's time is an eligible expense under 50102 Other Salaries and Wages. The revenue earned does not need to be backed out as ineligible.

40699 Other Auxiliary Transportation Revenues are earned from auxiliary operations other than those specified in 40610 through 40620. Explain what these revenues are in the PTMS comment field. Ineligible expenses associated with these revenues should be backed out under 55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue.

Nontransportation Revenue

Nontransportation Revenue is income earned from activities not directly associated with providing public transportation service.

40710 Sale of Maintenance Services revenue is earned from providing maintenance services on vehicles, equipment, and facilities not owned or used by the transit agency. A PTD approved cost allocation plan is required. Expenses are not eligible and should be backed out under 56001 Ineligible Expenses Associated with the Sale of Maintenance Service.

40715 Rental of Revenue Vehicles is earned from renting transit agency revenue vehicles to other transit agencies or organizations providing public transportation. A PTD approved cost allocation plan is required. Expenses are not eligible and should be backed out under 56004 Ineligible Expenses Associated with Rentals.

40720 Rental of Buildings or Other Property revenue is earned from renting transit agency buildings and property, including equipment and vehicles (other than 40715 revenue vehicles) to other transit agencies or organizations providing public transportation. A PTD approved cost allocation plan is required. Expenses are not eligible and should be backed out under 56004 Ineligible Expenses Associated with Rentals.

40725 Parking Lot Revenue is earned from parking fees other than at "Park and Ride" locations which is reported under 40100 Passenger Fares. A PTD approved cost allocation plan is required. Expenses are not eligible and should be backed out under 56004 Ineligible Expenses Associated with Rentals.

40760 Gains from the Sale of Capital Assets are revenue if the proceeds from the disposal of a capital asset are contractually allowed to be retained by the transit agency and are used to provide public transportation. A gain should not be reported under this code if the property is given in exchange as part of the purchase price of a similar item and the gain is taken into account in determining the depreciation basis of the new item.

Note: For State Operating Assistance, none of the gain needs to be backed out as ineligible.

40799 Other Nontransportation Revenues are earned from nontransportation activities other than those listed in 40710 through 40760. A PTD approved cost allocation plan may be required. Please explain what these revenues are in the PTMS comment field. Expenses associated with 40799 Other Nontransportation Revenue are not eligible and should be backed out under 55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue.

Local Revenue

40800 Taxes Levied Directly for/by Transit Agency. Taxes collected directly for transit (e.g. millage).

40910 Local Operating Assistance. Operating funds received from local governmental units other than taxes levied in 40800 (e.g. general fund).

40920 Single Business Tax revenue is received from the taxing authority, a local municipality, or county government which covers millage collection shortfalls.

40999 Other Local Contracts and Reimbursements. Please explain these revenues in the PTMS comment field. Depending upon the local contract, expenses incurred or revenue received under the contract may not be eligible and should be backed out under 55005 Ineligible Local Contracts.



Know when Federal and State money is considered Local Share!

Any monies received by the transit agency that are not specifically FTA or PTD funded is considered local funding and should be reported either as farebox (e.g. 40200 Contract Fares) or local share (e.g. 40999 Other Local Contracts and Reimbursements).



State Formula and Contracts

41101 State Operating Assistance received pursuant to Section 10e(4)(a) of Act 51. Funds are distributed statewide on the basis of total eligible operating expenses as determined by this Manual.

Do not include State Operating Assistance received for previous years. When State Operating Assistance is redistributed based on annual reconciliations and annual CPA audits, PTD will enter the adjusted amount into PTMS.

41110 Line-Item Municipal Credit is the appropriations paid to transit agencies created under the Metropolitan Transportation Authorities Act of 1967, Act No. 204 of the Public Acts of 1967. Municipal credit money distributed within the State Operating Assistance payment should be reported under 41101 State Operating Assistance.

41111 Preventive Maintenance (20% state share) revenue is received under a capital contract to pay for maintenance expenses. Maintenance expenses paid by a capital contract are not eligible and should be backed out under 55011 Ineligible Preventive Maintenance (Federal Contract with State Match and/or Local Match (FSL)). Please cite the state contract number in the PTMS comment field.

41112 Capital Cost of Contracting (20% state share) revenue is received under a capital contract to pay for the capital consumed when the transit agency, through competitive procurement, contracts with an outside party to provide public transportation. The capital consumed is the contractor's depreciation and interest costs related to the equipment or facilities used to provide public transportation under the contract. Operating expenses paid by a capital contract are not eligible and should be backed out under 57602 Ineligible Capital Cost of Contracting (FSL). Please cite the state contract number in the PTMS comment field.

41113 Capital Contract Reimbursement for Administrative Expenses (20% state share) revenue is received under a capital contract to pay for administrative expenses associated with that contract. The administrative expenses reimbursed under the contract are not eligible and should be backed out under 57603 Ineligible Administrative Expense Paid by Capital Contract (FSL). Please cite the state contract number in the PTMS comment field.

41114 Other Capital Contract Reimbursement for Operating Expenses (20% state share) revenue is received under a capital contract to pay for operating expenses. Please explain in the PTMS comment field and cite the state contract number. Expenses reimbursed under the contract are not eligible and should be backed out under 57604 Other Ineligible Operating Expense Paid by Capital Contract (FSL).

41199 Other State Contracts and Reimbursements. Please explain in the PTMS comment field (e.g. a transit agency receives money to fund additional routes while a major section of a local highway is closed for construction). Depending upon the contractual language, either the expenses incurred or the revenue received may not be eligible and should be backed out under 55004 Other Ineligible State Contracts or under 57099 Other Ineligible FSL, if a federal portion is reported under 41399 Other FTA Contracts and Reimbursements. If the contract requires a local match, then the local match should also be backed out under the appropriate code. Please cite the state contract number in the PTMS comment field.

General rule: If there is no PTD cost allocation plan required for allocating expenses, then the **revenues** received under the contract must be backed out as ineligible instead of the expenses. If there is any question as to what needs to be backed out as ineligible, then get a written explanation from PTD.

For Regular Service OARs, do not report any revenues that relate to other state CTF operating programs (e.g. Specialized Services, Regional Transportation, and TtW).

Federal Contracts

41301 Section 5311 is federal operating assistance received in nonurbanized areas. Do not report Section 5311 capital in this code. Capital should not be reported on this OAR. Do not include Federal Section 5311 money received for previous years. When Section 5311 is redistributed based on annual CPA audits, PTD will enter the adjusted amount into PTMS.

41302 Section 5307 is federal operating assistance received in urbanized areas. Do not report Section 5307 capital in this code. Capital should not be reported on this OAR.

Note: If a transit agency provides both nonurban (Section 5311) and urban (Section 5307) services, a PTD approved allocation plan is required.

41311 Preventive Maintenance (80% federal share) revenue is received under a capital contract to pay for maintenance expenses. Maintenance expenses paid by a capital contract are not eligible and should be backed out under 55011 Ineligible Preventive Maintenance (FSL).

41312 Capital Cost of Contracting (80% federal share) revenue is received under a capital contract to pay for the capital consumed when the transit agency, through competitive procurement, contracts with an outside party to provide public transportation. The capital consumed is the contractor's depreciation and interest costs related to the

equipment or facilities used to provide public transportation under the contract. Operating expenses paid by a capital contract are not eligible and should be backed out under 57602 Ineligible Capital Cost of Contracting (FSL).

41313 Capital Contract Reimbursement for Administrative Expenses (80% federal share) revenue is received under a capital contract to pay for administrative expenses associated with that contract. The administrative expenses reimbursed under the contract are not eligible and should be backed out under 57603 Ineligible Administrative Expense Paid by Capital Contract (FSL).

41314 Other Capital Contract Reimbursement for Operating Expenses (80% federal share) revenue is received under a capital contract to pay for operating expenses. Please explain in the PTMS comment field. Expenses reimbursed under the contract are not eligible and should be backed out under 57604 Other Ineligible Operating Expense Paid by Capital Contract (FSL).

41398 RTAP. Rural Transportation Assistance Program provides funds to assist in training, technical assistance, research, and other support services for nonurbanized transit agencies and transit agencies that are primarily urban but receiving either Section 5310 or 5311 federal funds in addition to Section 5307 funds. Expenses reimbursed by this program are not eligible and should be backed out under 57402 Ineligible RTAP.

41399 Other FTA Contracts and Reimbursements. Please identify the funding source and contract number in the PTMS comment field (e.g. planning funds, CMAQ operating grants, ITS grants, and priority project program grants). Expenses incurred are not eligible and should be backed out under 57099 Other Ineligible FSL. If the contract requires a local match, then the local match should also be backed out under the appropriate code.

Other Revenue

41400 Interest Income is interest earned on all local, state, and federal operating revenues including retained earnings. Do not include interest earned on funds received from capital projects. If interest is earned on capital funds, the interest must be credited to the specific capital project.

43000 Contributed Services is the cash equivalent of donated products and/or services that benefit transit operations and would need to be purchased if the products or services were not donated.

Contributed products and services are eligible expenses if the products and services received are:

- Supported by actual documentation based on a PTD approved cost allocation plan,

- Provided by individuals possessing the necessary skills, and
- Would typically need to be purchased if not provided by donation.

Listed below are examples of contributed products and services and the related PTMS code:

- The county performs the transit agency's payroll. Then the cash equivalent of the donated service should be included in 50399 Other Services *General Administration*.
- Prisoners are brought from the local prison to wash buses. Then the cash equivalent of the donated service should be included in 50399 Other Services *Maintenance*.
- The local unit of government donates gasoline to the transit agency. Then the cash equivalent of the donated gasoline should be included in 50401 Fuel and Lubricants *Operations*.

The revenues associated with contributed products and services are reported under this code while the expenses are split out based on the appropriate expense codes and should equal the amount reported here. Depending upon the service, the function classification could be *Operations*, *Maintenance*, or *General Administration*. Please explain in the PTMS comment field.

Contributed products and services that do not meet the established criteria are not eligible and the dollar amount associated with the service should be backed out under 55008 Other Ineligible Expenses. The value of contributed services is not reimbursable for federal funds.

Expenses

For Regular Service OARs used to report State Operating Assistance, do not report any expenses that relate to other state CTF operating programs (e.g. Specialized Services, Regional Transportation, and TtW).

Be sure to classify expenses by function: Operations, Maintenance, or General Administration.

Operations expenses are incurred when transporting passengers, such as:

- Drivers' wages and benefits.
- Supervising dispatchers, drivers, schedulers.
- Dispatching, radio monitoring.
- Oil, gas, tires.
- Insurance for revenue vehicles.

Maintenance expenses are incurred when maintaining transit assets, such as:

- Mechanics' wages and benefits.
- Supervising mechanics.
- Maintenance and repair of transit assets.
- Shop tools and supplies.

General Administration expenses are incurred in office functions, such as:

- Bookkeepers' and data processors' wages and benefits.
- Supervising office personnel.
- Counting fares.
- Financial activities (e.g. auditing, purchasing, marketing).
- Insurance except for insurance on revenue vehicles.

Labor

Labor is compensation due employees in exchange for services. Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of this Manual.

50101 Operators' Salaries and Wages. Compensation paid to employees classified as bus drivers. *Operations*

50102 Other Salaries and Wages. Compensation paid to employees not classified as bus drivers or dispatchers. Please classify the expenses by the appropriate function:

- Dispatchers, drivers, and schedulers. *Operations*
- Maintenance personnel. *Maintenance*
- Office personnel. *General Administration*
- Managerial and supervisory personnel. *General Administration*

Compensation paid to transit board members should not exceed the standard practice for local political bodies in the service area. *General Administration* If a transit board member performs functions other than "board functions," then the transit board member may be considered an employee of the transit agency, and therefore, treated as such with regards to income tax withholdings.

Note: Expenses of advisory councils, authority boards, transportation committees, etc. are eligible for reimbursement for both State Operating Assistance and Section 5311 funds if the sole responsibility of the governmental entity is related to the transit agency. If the

transit-related governmental entity has responsibilities other than those connected to the transit agency, only the expenses directly attributable to the governance of the transit agency are eligible. Expenses relating to the general cost of government (e.g. city councils, county commissions) are not eligible and should be backed out under 55008 Other Ineligible Expenses. *General Administration*

50103 Dispatchers' Salaries and Wages. Compensation paid to employees classified as dispatchers. *Operations*

Fringe Benefits

Fringe benefits are payments made or due by the transit agency on the employees' behalf. These are costs over and above "labor" that arise from the employment relationship. Costs of goods or services for personal use of the transit agency's employees are ineligible regardless of whether the cost is reported as taxable income to the employees.

50201 Pensions. Pension plan costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the transit agency or governmental unit.

- (1) For pension plans financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.
- (2) Pension costs calculated using an actuarial cost-based method are eligible, provided:
 - Such policies meet the test of reasonableness;
 - The methods of cost allocation are not discriminatory;
 - The cost assigned to each fiscal year is determined in accordance with generally accepted accounting principles (GAAP), as prescribed in Accounting Principles Board Opinion No. 8 issued by the American Institute of Certified Public Accountants; and
 - The costs assigned to a given fiscal year are funded for all plan participants within six months after the end of that year. However, increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 days after each quarter of the year to which such costs are assignable are unallowable.

"Funded" means an actual out-of-pocket expense for the transit agency. Actuarial gains used to offset pension expense are not considered "paid." Costs paid six months after the end of the fiscal year are eligible in the year paid.

Pension plan termination insurance premiums paid pursuant to the Employee Retirement Income Security Act (ERISA) of 1974 (Pub. L. 93-406) are eligible. Late payment charges on such premiums are ineligible and should be backed out under 58007 Ineligible Pension Expense.

Excise taxes on accumulated funding deficiencies and other penalties imposed under ERISA are ineligible and should be backed out under 58007 Ineligible Pension Expense.

A lump sum payment necessary to buy into a pension plan for prior years of service and the annual installments are eligible expenses as long as the above criteria are met (e.g. Municipal Employee Retirement System).

Costs should be classified as either *Operations*, *Maintenance*, or *General Administration* based upon the 501xx Salaries and Wages classification. Pension expense not meeting the above criteria is not eligible and should be backed out under 58007 Ineligible Pension Expense.

If the transit agency or local unit uses derivative instruments or products in their pension investment portfolio, report the cost of the derivative and the market value at the end of the fiscal year in the PTMS comment field.

50200 Other Fringe Benefits. Expenses should be classified as either *Operations*, *Maintenance*, or *General Administration* based upon the 501xx Salaries and Wages classification.

The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are eligible if:

- they are provided under established written leave policies;
- the costs are equitably allocated to all related activities; and
- the basis of accounting is accrual. Accrual of leave time is eligible based on the lesser of the amount accrued or funded.

The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in section 25, Insurance and indemnification); and other similar benefits are eligible provided such benefits are granted under established written policies.

Fringe benefits include:

- personal retirement plans (e.g. 401(k), cafeteria plans).
- FICA (Social Security tax and Medicare).
- dental, hospital, medical, and surgical plans.

- life and disability insurance plans.
- uniform and work clothing allowances.
- merit based pay bonuses approved by the transit agency's board.
- worker's compensation and unemployment insurance. Provisions for a reserve under a self-insurance program for unemployment compensation or workers' compensation are eligible to the extent that:
 - The provisions represent reasonable estimates of the liabilities for such compensation, and the types of coverage, extent of coverage, and rates and premiums would have been eligible had insurance been purchased to cover the risks. However, provisions for self-insured liabilities which do not become payable for more than one year after the provision is made shall not exceed the present value of the liability.
 - Earnings or investment income on reserves must be credited to those reserves.
 - Contributions to reserves must be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be analyzed and updated at least biennially for each major risk being insured and take into account any reinsurance, coinsurance, etc. Reserve levels related to employee-related coverages will normally be limited to the value of claims (a) submitted and adjudicated but not paid, (b) submitted but not adjudicated, and (c) incurred but not submitted. Reserve levels in excess of the amounts based on the above must be identified and justified in the cost allocation plan or indirect cost rate proposal.
 - Accounting records, actuarial studies, and cost allocations (or billings) must recognize any significant differences due to types of insured risk and losses generated by the various insured activities or agencies of the governmental unit. If individual departments or agencies of the governmental unit experience significantly different levels of claims for a particular risk, those differences are to be recognized by the use of separate allocations or other techniques resulting in an equitable allocation.
 - Whenever funds are transferred from a self-insurance reserve to other accounts (e.g., general fund), refunds shall be made to the State and Federal Government for its share of funds transferred, including earned or imputed interest from the date of transfer.

Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits are eligible in the year of payment provided:

- The governmental unit follows a consistent costing policy, and
- They are allocated as a general administrative expense to all activities of the transit agency or governmental unit.

Services

Service is labor or other work provided by outside organizations or individuals for fees and related expenses.

50302 Advertising Fees. Advertising expenses are eligible when incurred for the recruitment of personnel, the procurement of goods and services, the disposal of surplus materials, and any other specific public transportation purpose. *General Administration* For example, renting a booth at a county or state fair or participating in a public event is an eligible expense provided the purpose is to advertise or market public transportation services. If the purpose of the booth or public event is for something considered ineligible by this Manual, then the expenses are ineligible and should be backed out under 55008 Other Ineligible Expenses.

50305 Audit Cost. Expenses incurred for an annual CPA audit are eligible for State Operating Assistance. *General Administration* The audit cost of a transit or program audit (e.g. The Audit Guide for Transportation Authorities and Agencies in Michigan), for which a Single Audit is or is not required and performed for the county and/or city (of which the transit agency is a part) are not eligible for Section 5311 reimbursement.

50399 Other Services. Please explain in the PTMS comment field.

- Professional & technical services (e.g. accountants, computer service, doctors, management and transit industry consultants, security services, engineering firms, attorneys) that are rendered by persons who are members of a particular profession or possess a special skill, who are not officers or employees of the transit agency, and when reasonable in relation to the services rendered. Depending upon the service, the function classification could be *Operations*, *Maintenance*, or *General Administration*.
- Attorney fees and related expenses incurred in pursuing a claim or legal dispute against the State of Michigan or any of its officers or agencies, arising out of the administration of a CTF program, are not expenses eligible for purposes of reimbursement under Act 51. Attorney fees and costs that a public transit agency may be ordered to pay to another party in connection with a claim or legal dispute against the State of Michigan or any of its officers or agencies are also ineligible for purposes of reimbursement under Act 51. Likewise, attorney fees and related expenses incurred in pursuing a claim or legal dispute against the Federal government or any of its officers or agencies, arising out of the administration of a FTA program, are not expenses eligible for purposes of reimbursement under Act 51.

- Services provided on a temporary basis by persons who are not transit employees. Depending upon the service, the function classification could be *Operations*, *Maintenance*, or *General Administration*.
- Contractual maintenance services provided by an outside organization. *Maintenance*
- Media advertising for employee vacancies. *General Administration*
- Environmental Cleanup: The transit agency shall be in compliance with applicable federal, state, and local statutes, ordinances, regulations, policies, and executive orders pertaining to the environmental and resource protection. Willful failure to comply will render any environmental cleanup costs an ineligible expense for either capital or operating reimbursement.

Materials and Supplies

Materials and Supplies used from inventory or purchased for immediate consumption. Costs should be charged at their actual prices after deducting all cash discounts, trade discounts, rebates, and allowances received by the transit agency.

50401 Fuel and Lubricants include the cost and tax of gasoline, diesel fuel, propane, compressed natural gas, lubricating oil, transmission fluid, grease, etc., for use in vehicles and equipment. *Operations*

Note: Federal, state, and local governments are exempt from paying federal and state fuel tax. Private bus companies that offer service to the public may apply for a refund or credit of the federal and state fuel tax. **Refunds and credits must be deducted against the current year's expense.** Please indicate the amount of the refund or credit in the PTMS comment field.

Governmental public transportation providers are exempt from paying federal, state and sales taxes on gasoline purchases. In the event these taxes have been paid on gasoline purchases, a refund should be obtained.

1. **Federal excise tax** - 18.4 cents per gallon of federal tax is eligible for reimbursement (eligibility can go back three years). Complete IRS claim form 8849.
2. **State gas tax** - 19 cents per gallon of state tax is eligible for reimbursement (eligibility can go back one year only). Contact Michigan Department of Treasury @ (517)373-3180 for more information.
3. **Sales tax** - for purchases in which sales tax was paid to a private vendor, the tax can only be obtained from that specific private vendor. The governmental public transportation provider will need to request that the sales tax be refunded by that vendor. (The vendor can file a form with the Michigan Department of Treasury for refund of sales tax.)

4. **Sales tax** - for purchases in which sales tax was paid directly to the Michigan Department of Treasury, write the Michigan department of Treasury, Sales Tax Division, with sales receipts and proof of payment, requesting a sales tax refund (eligibility can go back four years in time).

If fuel is purchased from a governmental entity, the expenses must be supported by a cost allocation plan approved by PTD.

50402 Tires and Tubes. *Operations*

50404 Major Supplies include big ticket items that cost less than \$5,000 (e.g. computers, software, office furniture). Depending upon what was purchased, the function classification could be *Operations*, *Maintenance*, or *General Administration*. Please explain in the PTMS comment field.

50499 Other Materials and Supplies.

- Bus parts, paint for buses. *Operations*
- Shop tools, shop supplies, miscellaneous hardware, paint for facilities. *Maintenance*
- Office, copier, computer supplies. *General Administration*

Costs less than \$5,000 incurred for necessary maintenance, repair, or upkeep of buildings and equipment which do not add to the permanent value of the property nor appreciably prolong its useful life are eligible. Costs \$5,000 and over incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their useful life shall be treated as capital expenditures and should be depreciated under 51300 Depreciation.

Utilities

50500 Utilities. Payments made to utility companies (e.g. telephone, electric, gas, water, sewer, etc.). *General Administration*

Insurance

50603 Liability Insurance. The type, extent, and cost of coverage must be in accordance with laws, governmental policy, and sound business practices. These may include:

- Insurance premium payments provided the payments are necessary to maintain reasonable insurance protection. *Operations*

- Losses due to acts which the transit agency: (1) is liable for, (2) is not covered by insurance, but (3) has proper insurance coverage. Payments made in the current fiscal year are eligible even though the liability was incurred in a prior reporting period. If the transit agency is not properly insured, the losses are not eligible and should be backed out under 55008 Other Ineligible Expenses. *Operations*

Losses not covered by insurance deductibles are eligible expenses (e.g., replacement of small hand tools).
- Provisions for a reserve under a self-insurance program are allowable to the extent that types of coverage, extent of coverage, rates, and premiums would have been allowed had insurance been purchased to cover the risks. However, provision for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made, shall not exceed the present value of the liability.

Costs of insurance to cover the risk of loss of, or damage to, MDOT/FTA property is eligible to the extent mandated by "Exhibit A - Insurance Requirements" of PTD's Master Contract.

50699 Other Insurance includes all expenses except those reported under 50603 Liability Insurance (e.g. fidelity bonds, business records, errors and omissions, etc). *General Administration*

Note: Approximately ninety (90) percent of the transit agency's total insurance cost is reported under 50603 Liability Insurance *Operations* and ten (10) percent is reported under 50699 Other Insurance. *General Administration* If reported insurance expense varies from this standard, please explain in the PTMS comment field why less than 90% of insurance is reported under 50603 Liability Insurance and why more than 10% of insurance is reported under 50699 Other Insurance.

Expenses NOT included in 506xx Insurance are:

- In-house repair of damaged property (report this under 50102 Other Salaries and Wages, 50200 Other Fringe Benefits, and 504xx Materials & Supplies, or possibly 50399 Other Services).
- Property damaged beyond repair (report this under 51300 Depreciation).
- Wage and fringe expenses of employees who process insurance claims for and against the transit agency (report this under 50102 Other Salaries and Wages and 50200 Other Fringe Benefits).

Costs of insurance to cover a private contractor's defects in materials or workmanship are ineligible.

Insurance refunds must be deducted against the current year's expense. Please indicate the amount of the refund in the PTMS comment field.

Taxes and Fees

50700 Taxes and Fees. Taxes levied against the transit agency by federal, state, or local governments (e.g. property tax). *General Administration* Fees include such things as commercial drivers' license, vehicle licensing, and registration fees. *Operations*

Taxes **not** included in this code are: (1) payroll withholding taxes, (2) sales and excise taxes on purchased materials and services (these are included in the base price of the material or service), and (3) fuel and lubricants taxes (which are included in 50401 Fuel and Lubricants).

Purchased Transportation Service

50800 Purchased Transportation Service. Payment or accrual for transportation service provided by a third party operator. *Operations*

Purchases over \$25,000 which utilize FTA/MDOT funds require an MDOT approved subcontract between the transit agency (prime contractor) and the 3rd party operator. MDOT approval is not required if the transit agency is certified in accordance with commission policy. Without certification or proper approval, the expenses associated with the third party contract are ineligible and must be backed out under 55008 Other Ineligible Expenses.

This code cannot be used if the State Operating Assistance recipient contracts with a third party operator to provide, for all practical purposes, the entire transportation services funded under Act 51. If a third party operator provides all the transportation services, the county, city, or township must report the financial and nonfinancial information by each individual PTMS code as required by this Manual.

Report all nonfinancial data associated with Purchased Transportation Service (e.g. passengers, miles, hours), but only report vehicles owned by the transit agency purchased with FTA/MDOT funds.

Miscellaneous Expenses

50902 Travel, Meetings, and Training. Expenses include attendance fees, food, lodging, and travel. Depending upon the training, the function classification could be *Operations, Maintenance, or General Administration*.

For example:

- Financial Management for Transit. *General Administration*
- Transit Vehicle and Equipment Seminar. The function classification depends upon who attends the seminar. If a mechanic attends, the expense is classified as *Maintenance*. If a transit manager attends, the expense is classified as *General Administration*.
- Michigan Transit Conference. *General Administration*
- Small Bus Rodeo. The function classification depends upon who attends the Rodeo. If a driver attends, the expense is classified as *Operations*. If a transit manager attends, the expense is classified as *General Administration*.
- Transportation organization meetings (e.g. Michigan Public Transit Association, Community Transportation Association of America, MASSTrans, and American Public Transit Association). *General Administration*

50903 Association Dues and Subscriptions.

- Fees for membership in transportation organizations. If the transportation organization incurs lobbying expenses, a percentage of dues paid will not be eligible and should be backed out under 55009 Ineligible Percent of Association Dues. The ineligible percentage is calculated annually based on the organization's total costs related to its lobbying costs. *General Administration*
- Subscriptions to transportation publications. *General Administration*

50907 Lobbying expense incurred by the transit agency. All expenses associated with lobbying are not eligible and should be backed out under 58005 Ineligible Lobbying Expense. Lobbying is defined as any direct contact with a public official, whether face to face, by telephone, letter, electronic media, or any other means, the purpose of which is to influence the official's legislative or administrative actions. *General Administration*

Note: Expenses incurred conducting a millage election are eligible provided the information concerning the election is factual and neutral. *General Administration* Expenses are not eligible if they are influential in nature, and should be backed out under 58005 Ineligible Lobbying Expense.

50909 Loss on Disposal of Assets. Losses on the disposal of assets should be reported here and backed out as ineligible under 58009 Ineligible Loss on Disposal of Assets.

A loss should not be reported under this code, nor backed out as ineligible under 58009 Ineligible Loss on Disposal of Assets, if the property is given in exchange for part of the purchase price of a similar item and the loss is taken into account in determining the depreciation basis of the new item.

50999 Other Miscellaneous Expenses. Please explain in the PTMS comment field. If the miscellaneous expenses are not in accordance with the basic guidelines of this Manual, then those expenses should be backed out under 55008 Other Ineligible Expenses. Depending upon the expense, the function classification could be *Operations, Maintenance, or General Administration.*

Interest Expense

51101 Interest on Long-Term Debt. When funding operating expenses, interest incurred on money borrowed for more than one year should be reported under this code. The interest expense is not eligible and should be backed out under 55006 Other Ineligible Interest Expense. *General Administration*

Note: Interest incurred on such things as capital assets or construction debt must be capitalized and is not reported on the OAR.

51102 Interest on Short-Term Debt. When funding operating expenses, interest incurred on money borrowed for less than one year should be reported under this code. This interest expense is not eligible to the extent of interest earned under 41400 Interest Income and should be backed out under 55006 Other Ineligible Interest Expense. *General Administration*

If a transit agency is operating in a deficit situation as defined by the State Share Revenue Act, interest on short-term debt is ineligible unless the transit agency has a Treasury approved Deficit Elimination Plan that authorizes the borrowing of that money.

51103 Interest on State Advances. Interest charged on advances of 41101 State Operating Assistance is not eligible and should be backed out under 58002 Ineligible Interest on State Advances. *General Administration*

51104 Interest on Capital Lease. A lease qualifies as a capital lease if one of the following criteria is met:

- The title to the asset passes to the lessee by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to or greater than 75% of the useful life of the asset.
- The present value of the minimum lease payments is greater than 90% of the fair market value of the leased asset.

The asset of the capital lease must be capitalized and depreciated under 51300 Depreciation. If the transaction does not meet any of the four criteria, the lease is an operating lease and should be reported under 51200 Operating Leases and Rentals.

51200 Operating Leases and Rentals. Lease and/or rental expenses are eligible to the extent that the rates are reasonable considering factors such as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and, the type, life expectancy, condition, and value of the property leased. Expenses not meeting this criteria are not eligible and should be backed out under 55008 Other Ineligible Expenses. Depending upon the type of lease or rental equipment, the function classification could be *Operations, Maintenance, or General Administration*.

Note: With a lease-purchase agreement, the asset must be capitalized and then depreciated under 51300. Interest incurred on a capital lease must be expensed and reported under 51104 Interest on Capital Lease.

Depreciation

51300 Depreciation is a means of allocating the cost of fixed assets to periods benefitting from asset use. The expense reflects an asset's loss in service value.

An asset worth over \$5,000 with a useful life greater than one year must be capitalized and depreciated over its useful life. The depreciation associated with an asset purchased with federal and/or state funds and required local match is not eligible and should be backed out under 55007 Ineligible Depreciation. If an asset is purchased with local funds, the depreciation expense is eligible if: (1) the asset is reasonable and necessary, and (2) PTD approves the useful life of the asset; otherwise, the expense is not eligible and should be backed out under 55007 Ineligible Depreciation. Depending upon the asset being depreciated, the function classification could be *Operations, Maintenance, or General Administration*.

In order to obtain approval of the useful life of an asset purchased with local money, please submit a written request to your PTD Project Manager that includes the following information:

- Description of the asset (e.g. 2001 GMC Pick-up Truck with snow plow; nonrevenue vehicle).
- Identification number of the asset (e.g. VIN #1GTGK24K7SE502591).
- The state contract number if the asset was partially purchased with federal or state money. If the asset was purchased entirely with local money, then there would not be a state contract number.
- The cost of the asset.
- Depreciation category (See Depreciation Schedule. E.g. TRUCKS - light duty).
- Useful life. If the asset is new, use the useful life listed in the Depreciation Schedules (see below). If the purchased or donated asset is used, the transit

agency must determine a useful life based on such factors as: type of construction, nature of the equipment, past usage patterns, age, mileage, technological developments. Please explain how the useful life was determined.

- Method of depreciation. The straight line method of depreciation must be used unless there is clear evidence indicating another method is preferred.
- Any other information PTD may deem necessary.

The depreciation method selected cannot be changed without prior approval of PTD. Depreciation records indicating the amount of depreciation taken each fiscal year must be maintained.

The depreciation schedule is the same as the "Replacement Schedule For Transit Agencies' Capital Items."

DEPRECIATION SCHEDULE for VEHICLES

A vehicle worth over \$5,000 with a useful life greater than one year must be capitalized and depreciated over its useful life.

Useful Life

CARS - TAXI	3 YEARS
MINIVAN - MAXIVAN - MINIVAN CONVERSION	4 YEARS OR 100,000 MILES
BUSES - SMALL (Light duty chassis - less than 30 feet) body on van cut-away (Includes Champion and El Dorado for replacement purposes)	5 YEARS OR 150,000 MILES
BUSES - MEDIUM (Medium duty chassis - less than 30 feet) body on truck chassis	7 YEARS OR 200,000 MILES
BUSES - MEDIUM (Heavy duty chassis - 30 feet to 34 feet)	10 YEARS OR 350,000 MILES
BUSES - LARGE (Heavy duty chassis - 35 feet to 60 feet)	12 YEARS OR 500,000 MILES
TRUCKS - light duty (under 13,000 lbs. g.v.w.)	4 YEARS
TRUCKS - heavy duty (over 13,000 lbs. g.v.w.)	6 YEARS

DEPRECIATION SCHEDULE for BUILDINGS AND EQUIPMENT

Building and equipment worth over \$5,000 with a useful life greater than one year must be capitalized and depreciated over its useful life.

	<u>Useful Life</u>
BUILDINGS - NEW	20 YEARS
OFFICE FURNITURE, FIXTURES, AND EQUIPMENT (not structural components of the building) such as desks, files, safes	10 YEARS
COMMUNICATION EQUIPMENT (radios and telephones)	6 YEARS
INFORMATION SYSTEMS - computers and their components	4 YEARS
Data handling equipment, typewriters, calculators, copiers	6 YEARS

DEPRECIATION SCHEDULE for MAINTENANCE GARAGE ITEMS

Maintenance garage items worth over \$5,000 with a useful life greater than one year must be capitalized and depreciated over its useful life.

	<u>Useful Life</u>
Roller cabinets, portable tool stands, portable compressors, portable hoists, diagnostic equipment	10 YEARS
Lift trucks, engine and transmission stands, brake lathes	8 YEARS
Power hand tools, portable bus washers, power (hydraulic) jacks, parts cleaners, grease guns and pumps, power floor cleaners, lawn mowers, snow blowers, precision hand tools	5 YEARS
Hand tools, oil pumps, fuel pumps, portable lighting equipment, grinders	3 YEARS

Bus rehabilitation contracts are executed with the goal of extending the life of the vehicle an additional 2 years or 100,000 miles. Transit agencies are required to pay a local match. All expenses *paid* under the contract (state and local match) are not eligible for reimbursement, and therefore must be:

- Capitalized,
- Depreciated under this code, and
- Backed out as ineligible under 55007 Ineligible Depreciation.

Please note: Local costs *in excess* of the contract amount (therefore, *not* required under the contract) may be eligible for reimbursement if:

- the related local costs are reasonable and necessary, and
- PTD approves the useful life of the item being depreciated; otherwise, the expense is not eligible and should be backed out under 55007 Ineligible Depreciation.

If you need approval of the useful life of an asset, please contact your PTD Project Manager.

Ineligible Expenses

Ineligible expenses include expenses that are:

- Not reimbursable according to this Manual,
- Paid under a different CTF program or FTA program (except Federal Section 5307 and 5311), and
- Associated with certain revenues.

Ineligible Depreciation and Ineligible Charter

55007 Ineligible Depreciation include assets purchased with:

- Federal and/or state funds and/or local match.
- Local funds where the useful life of the asset was not approved by PTD or the asset is not reasonable and necessary.
- Bus rehabilitation contracts and required local costs, plus the excess of the contract not approved by PTD.

Ineligible depreciation expense should be classified as either *Operations*, *Maintenance*, or *General Administration* based upon the 51300 Depreciation classification.

58009 Ineligible Loss on Disposal of Assets. Any loss reported in expense code 50909 Loss on Disposal of Assets must be backed out as ineligible under this code.

55015 Ineligible Charter Expense. Expenses associated with 40500 Charter Service. *Operations* A PTD approved cost allocation will be based on charter hours, not charter miles; and must use a transit agency's total operating cost, not total eligible expenses. For example, based on the following information, \$6,468 is reported in 40500 Charter Service (\$42 x 154 hours) and \$5,236 is reported in 55015 Ineligible Charter Expense (\$34 (Rounding up) x 154 hours). See the following example:

CHARTER RATE SCHEDULE
for 10/1/0x - 9/30/0y

Total Expenses	\$988,000	
Less: Nonoperating expenses**	<u>10,000</u>	
Total Operating Cost	978,000	
Total Vehicle Hours for fiscal year		
610 Vehicle Hours	29,065	
630 Charter Hours	<u>154</u>	
TOTAL	29,219	
Cost per Vehicle Hour (\$978,000 / 29,219)	\$33.47	
Profit	<u>8.00</u>	
Charter Rate	\$42.00	(Rounding up)

**Nonoperating expenses include such things as:

- 50909 Loss on Disposal of Assets
- interest expense if the interest expense was incurred for something other than funding operations
- FTA Section 5307 Planning grants (which is reported under 57099 Other Ineligible FSL).

56001 Ineligible Expenses Associated with the Sale of Maintenance Service.

Expenses associated with revenue 40710 Sale of Maintenance Services. *Maintenance*

56002 Ineligible Expenses Associated with Advertising Revenue.

Expenses associated with revenue 40615 Advertising. *General Administration*

56004 Ineligible Expenses Associated with Rentals. Expenses associated with revenue 40715 Rental of Revenue Vehicles, 40720 Rental of Buildings or Other Property, and 40725 Parking Lot Revenue. Ineligible rental expenses could be classified as either *Operations, Maintenance, or General Administration* based upon the type of property rented.

55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue. Expenses associated with 40699 Other Auxiliary Transportation Revenues and 40799 Other Nontransportation Revenue. Depending upon the expense, the function classification could be *Operations, Maintenance, or General Administration*. Please explain in the PTMS comment field.

Ineligible Local Contracts

55005 Ineligible Local Contracts. Ineligibles associated with 40999 Other Local Contracts and Reimbursements. Additional explanation may be provided in the PTMS comment field. Depending upon the contract and/or the expense, the function classification could be *Operations, Maintenance, or General Administration*.

Ineligible State Contracts

55004 Other Ineligible State Contracts. Expenses associated with 41199 Other State Contracts unless the contract has a federal portion, then use 57099 Other Ineligible FSL.

Do not report any expenses associated with CTF programs that have their own individual reporting requirements (e.g. Specialized Services, TtW, Regional Transportation). Expenses associated with other CTF programs must be allocated based on a PTD approved cost allocation plan. Costs in excess of the contract amount to provide the contractually required amount of service cannot be included in Local Bus Operating expenses. However, cost incurred to provide service in addition to the contractually required amount of service can be included in Local Bus Operating expenses if the service is open door.

Ineligible FTA Contracts

57402 Ineligible RTAP. Expenses reimbursed under revenue 41398 RTAP. Depending upon the type of expense reimbursed, the function classification could be *Operations, Maintenance, or General Administration*.

Ineligible Federal Contract with State Match and/or Local Match

55011 Ineligible Preventive Maintenance (FSL). Expenses reimbursed under revenue 41111 Preventive Maintenance (the state portion) and 41311 Preventive Maintenance (the federal portion). *Maintenance*

57602 Ineligible Capital Cost of Contracting (FSL). Expenses reimbursed under revenue 41112 Capital Cost of Contracting (the state portion) and 41312 Capital Cost of Contracting (the federal portion). Depending upon the contract and/or the expense, the function classification could be *Operations, Maintenance, or General Administration*.

57603 Ineligible Administrative Expense Paid by Capital Contract (FSL). Expenses reimbursed under revenue 41113 Other Capital Contract Reimbursement for Administrative Expenses (the state portion) and 41313 Other Capital Contract Reimbursement for Administrative Expenses (the federal portion). *General Administration*

57604 Other Ineligible Operating Expense Paid by Capital Contract (FSL). Expenses reimbursed under revenue 41114 Capital Contract Reimbursement for Operating Expenses (the state portion) and 41314 Capital Contract Reimbursement for Operating Expenses (the federal portion). *Operations*

57099 Other Ineligible FSL. Ineligibles (e.g. usually it is either the expenses incurred or the revenue received as determined by the contractual language of the grant) associated with 41199 Other State Contracts and Reimbursements and 41399 Other FTA Contracts and Reimbursements. Depending upon the contract and/or the expense, the function classification could be *Operations, Maintenance, or General Administration*. Additional explanation may be provided in the PTMS comment field.

Note: Local match required by a FTA and/or MDOT contract is necessary for fulfillment of that contract, and therefore, is ineligible along with the FTA grant and MDOT match. However, for an FTA CMAQ operating grant that is 80% federal and 20% local, the local share required by the contract is an eligible expense.

Ineligible Miscellaneous Expenses

58002 Ineligible Interest on State Advances. Interest charged on advances of revenue 41101 State Operating Assistance. *General Administration*

55006 Other Ineligible Interest Expense includes: (1) interest paid under 51101 Interest on Long-Term Debt, and (2) 51102 interest expense that equates to 41400 Interest Income. “41400 Interest Income” means interest earned on all local, state, and federal operating revenues including retained earnings. *General Administration*

55009 Ineligible Percent of Association Dues. See 50903 Association Dues and Subscriptions. *General Administration*

58005 Ineligible Lobbying Expense. See 50907 Lobbying. *General Administration*

58007 Ineligible Pension Expense. See 50201 Pensions. Ineligible expenses should be classified as either *Operations*, *Maintenance*, or *General Administration* based upon the 501xx Salaries and Wages classification.

55008 Other Ineligible Expenses include:

- Losses for which the transit agency is not properly insured.
- Expenses that do not meet the criteria established in 51200 Operating Leases and Rentals.
- Contributed products and services that do not meet criteria established in this Manual (see pages 9 & 10).
- Entertainment expenses.
- Alcoholic beverages, lottery tickets, and other nonbusiness expenses.
- Charitable donations.

Note: A transit agency may participate in a charitable event provided the purpose of participating in the charitable event is to benefit public transportation.

- Fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the transit agency to comply with Federal, State, or Local laws and regulations.
- Bad debt expense (losses due to uncollectible accounts receivable).
- Contributions to a contingency reserve. The term "contingency reserve" excludes self-insurance reserves, pension funds, and reserves for normal severance pay.
- Costs of organized fund-raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions.
- Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments. However, costs associated with investments covering pension, self-insurance, or other funds allowed by this Manual are eligible.
- Expenses that do not comply with this Manual.

Depending upon the expense, the function classification could be *Operations*, *Maintenance*, or *General Administration*. Please identify these expenses in the PTMS comment field.

NonFinancial Operating Data

For Regular Service OARs, do not include any nonfinancial data that relates to other state CTF operating programs (e.g. Specialized Services, TtW, Regional Transportation).

Public Service

610 Vehicle Hours. Total hours used to operate all revenue vehicles (e.g. bus drivers' time behind the wheel, bus drivers' time doing pre-trip inspection, bus drivers' time driving deadhead miles). Include vehicle hours associated with 50800 Purchased Transportation Service. For all practical purposes, 610 Vehicle Hours should equate to driver hours.

"Deadhead" Travel Time and Mileage. For demand-response, travel time and mileage before the first passenger pickup and after the last passenger drop-off. For fixed route, travel time and mileage to the first scheduled stop and after the last scheduled stop, whether or not passengers board or exit at those points.

611 Vehicle Miles. Total miles traveled by revenue vehicles including deadhead miles and 50800 Purchased Transportation Service miles.

615 Passengers - Regular. All passengers except those described in 616 - Elderly, 617 - Persons with Disabilities, and 618 - Elderly Persons with Disabilities.

616 Passengers - Elderly. Number of passengers 65 years of age or older. The age limit defining "elderly" may be lower under local option.

617 Passengers - Persons with Disabilities. Number of passengers not defined as 616 - Elderly and who have a physical or mental impairment that substantially limits one or more of the major life activities of the individual, a record of such an impairment, or being regarded as having such an impairment.

618 Passengers - Elderly Persons with Disabilities. Number of passengers who meet the definition of both 616 - Elderly and 617 - Persons with Disabilities.

621 Total Line-Haul Passengers. Total number of passengers picked up on a regular schedule at designated bus stops.

622 Total Demand-Response Passengers. Total number of passengers that received door-to-door service.

Code 620 Total Passengers is computer-generated by adding the number of passengers reported in 615 - Regular, 616 - Elderly, 617 - Persons with Disabilities, and 618 - Elderly Persons with Disabilities. PTMS will display a popup window if the sum of 621 Total Line-Haul Passengers and 622 Total Demand-Response Passengers does not equal the sum of 615 - Regular, 616 - Elderly, 617 - Persons with Disabilities, and 618 - Elderly Persons with Disabilities.

Please note: The total passenger count should include passengers associated with 50800 Purchased Transportation Service.

For Example, assume a transit agency transported 144 passengers during the fiscal year. Code 620 must add to 144.

	LH Passengers	DR Passengers	Total	
Regular	120	0	120	← 615 Regular
Elderly	4	10	14	← 616 Elderly
w/ Disabilities	0	6	6	← 617 w/ Disabilities
Elderly w/ Disabilities	<u>1</u>	<u>3</u>	<u>4</u>	← 618 Elderly w/ Disabilities
Total	125	19	144	← 620 Total
	↗ 621 Line-Haul	↗ 622 Demand-Response		

625 Days Operated. Number of days revenue vehicles are available for service.

Vehicle Information

Report the number of agency owned revenue vehicles purchased with MDOT and/or FTA funds (e.g., buses, rapid transit vehicles, railroad cars, water vehicles, taxicabs, but do not include such vehicles as administration or parts running vehicles). Vehicles operated by other agencies through a purchase-of-service agreement or vehicles funded through other sources should not be included in this count. Therefore, the number of vehicles in the PTMS vehicle inventory will not necessarily match the number of vehicles reported in 653 Total Line-Haul Vehicles and 655 Total Demand-Response Vehicles.

653 Total Line-Haul Vehicles. The actual physical count of all revenue vehicles used primarily for line-haul service.

654 Line-Haul Vehicles with Lifts. The number of line-haul vehicles included in the 653 count that is equipped with a lift or a ramp.

655 Total Demand-Response Vehicles. The actual physical count of all revenue vehicles used primarily for demand-response service.

656 Demand-Response Vehicles with Lifts. The number of demand-response vehicles included in the 655 count that is equipped with a lift or a ramp.

658 Total Transit Vehicles is computer-generated by adding the number of vehicles reported in 653 Total Line-Haul Vehicles and 655 Total Demand-Response Vehicles.

For Example, assume a transit agency has 10 line-haul buses of which 5 are equipped with lifts/ramps and 5 demand-response buses of which all are equipped with lifts/ramps. Code 658 will be computer generated and will equal 15.

	<u>with</u> lifts/ramps		w/o lifts/ramps	Total	
LH Vehicles	5	←654 LH w/ Lifts	5	10	←653 Total LH Vehicles
DR Vehicles	<u>5</u>	←656 DR w/ Lifts	<u>0</u>	<u>5</u>	←655 Total DR Vehicles
Total	10		5	15	←658 Total Transit Vehicles

Miscellaneous

601 Number of Routes (Line-Haul Only). Total number of routes operated by a transit agency.

602 Total Route Miles (Line-Haul Only). Total round-trip miles of each of the routes in 601, excluding deadhead miles.

630 Charter Service Hours. Total vehicle hours used to provide charter service, including deadhead hours.

631 Charter Service Miles. Total vehicle miles used to provide charter service, including both the miles under contract and deadhead miles.

634 Other Service Hours. Total hours of service other than those described in 610 Vehicle Hours and 630 Charter Service Hours. Please explain the service provided in the PTMS comment field.

635 Other Service Miles. Total miles associated with 634 Other Service Hours and all miles other than those described in 611 Vehicle Miles and 631 Charter Service Miles.

659 LPG (propane) or CNG (compressed natural gas) - Gallons Equivalent Consumed.

660 Diesel/Gasoline - Gallons Consumed.

Code 659 plus 660 should equal the total amount of fuel consumed by the transit agency.

661 Total Transit Agency Employees (full time equivalent (“FTE”)). All staff (e.g. transit manager, bookkeeper, bus drivers). FTEs are determined by dividing all employee hours worked (including contract employees’ hours worked) by 2080 hours (round to the nearest whole employee). Do not count transit board members. If an operator contracts with a private vendor for transportation service, it should include contractor employee hours in the employee hour count.

662 Total Revenue Vehicle Operators (FTE). Drivers and other transit agency employees who perform driver type duties (e.g. completing pre-trip inspections). These employees are also included in 661. FTE equals total driver hours (including contract driver hours) worked divided by 2080 hours (round to the nearest whole employee).

For example, assume a transit agency has 30 employees of which 14 are drivers.

All employees except drivers	16	
Drivers	<u>14</u>	←662 Total Revenue Vehicle Operators
	30	←661 Total Transit Agency Employees

663 Number of Accidents. Total collision, noncollision, and station accidents resulting in a fatality, personal injury, or property damage. This information is based on the transit agency’s accident/incident reports, not on claims filed. Robberies, assaults, and other crimes or misdemeanors should not be included in the number of accidents.

664 Number of Fatal Accidents. This is a new code to report transit caused deaths.

Most Important

Seek Assistance From PTD Whenever Necessary

If you have any questions please contact your PTD Project Manager or visit our website at <http://michigan.gov/mdotptd>.

If you have any problems connecting to the PTMS, please contact Kathy Urda at (517) 335-2575 or at urdak@michigan.gov.

APPENDIX: Cost Allocation Plans

PTD reviews and approves all cost allocation plan methodologies. To verify that the transit agency has an approved cost allocation plan, visit our website at: <http://www.michigan.gov/mdotptd>. In the “Resources” box, click on “Audit/Accounting Information.” Then click on “cost allocation listing.” This listing is updated periodically. It is possible that a transit agency’s cost allocation plan was approved since the last listing was posted. To determine if a plan was approved since the last update or to get a copy of the approved methodology contact the transit agency’s Project Manager.

The allocation plan should cover all applicable costs and be supported by formal accounting records. To the extent feasible, cost allocation plans should be presented in a single document. The cost allocation plan should be on file at the transit agency’s office and should contain, but not necessarily be limited to, the following:

1. The method used to distribute costs, which must agree with the methodology approved by PTD;
2. Identification of direct costs. Direct costs are those that can be identified specifically with a particular project and include:
 - Individual positions or group classifications for direct staff services;
 - The nature and extent of services provided by each position classification;
 - Estimates of percentage of time each position will devote to the project and the estimated cost of each;
3. Identification of indirect costs. Indirect costs are those that are:
 - Incurred for a common or joint purpose benefitting more than one cost objective;
 - Not readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved; and
 - Originating in each of the entity's operating or organizational units as well as those incurred by others in supplying goods, services, and facilities to each unit.

☞ Examples of indirect costs are operation and maintenance of buildings and the expenses of unit heads and their immediate staff.
4. The basis for allocating indirect costs to the project.
5. Total indirect costs.
6. The estimated amount to be charged to the project. Although personnel services should be estimated on a percentage-of-time basis for planning purposes, only actual time charged to the project as supported by adequate time sheets is eligible for reimbursement.

APPENDIX: Cash and Investment Policies

A transit agency must comply with: (1) Sections 1 and 5 of "Investment of Surplus Funds of Political Subdivisions," Act No. 20 of the PA of 1943, being Sections 129.91 and 129.95 of the Michigan Compiled Laws, and (2) Section 6 of "Surplus Funds in Treasury," Act No. 105 of PA of 1855, being Sections 21.146 of the Michigan Compiled Laws

A transit agency should not keep a non-interest bearing cash balance that would exceed the amount required to sustain operations more than 30 days. Whenever the balance exceeds this limitation, the excess funds should be invested only in the following securities which have a maturity date on or before the date the funds are needed for disbursement:

- In bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States.
- In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution (provided it offers no illegal discriminatory lending practices).
- In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- In repurchase agreements consisting of instruments listed in (a) above.
- In bankers' acceptances of banks in the United States.
- Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- In mutual funds registered under the Investment Company Act of 1940 with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967.
- In investment pools organized under the Surplus Funds Investment Pool Act.
- In investment pools organized under the Local Government Investment Pool Act.

Excess funds shall not be invested in a financial institution found to have engaged in an illegal, discriminatory lending practice related to a mortgage loan or home improvement loan application. Public Funds may not be deposited in financial institutions located in states other than Michigan.

APPENDIX: Credit Card Policy

A transit agency must adopt a credit card policy in accordance with Public Act 266 of 1995 by resolution. The written credit card policy must:

- Name an officer or employee of the transit agency who is responsible for overseeing (e.g., issuance, accounting, monitoring, and retrieval) compliance with the credit card policy.
- State that the credit card can only be used by an officer or employee to purchase goods and services that relate to the official business of the transit agency.
- State that each time the credit card is used, documentation must be submitted that details the goods or services purchased, cost, date of purchase, and the official business.
- State that the officer or employee issued the card is responsible for its protection and custody.
- Require the officer or employee to notify the transit agency immediately if the credit card is lost or stolen.
- Require the officer or employee to surrender the credit card immediately upon termination from the transit agency.
- Require a system of internal controls to monitor the use of the credit card.
- Require approval of credit card invoices before payment.
- Require payment in full (including interest due) on an extension of credit under the credit card within 60 days of the initial statement date.
- State the disciplinary measures that will be taken for unauthorized use of the credit card.